WEDGEMOUNT RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2023

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Wedgemount Resources Corp.

Opinion

We have audited the accompanying consolidated financial statements of Wedgemount Resources Corp. (the "Company"), which comprise the consolidated statement of financial position as at July 31, 2023 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that although the Company raised capital in current and prior periods through private placements of its common shares and warrants exercises and from loans, management estimates additional funding will be required to further operations in the upcoming twelve months and additional capital may not be available on acceptable terms or at all. These factors indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matters

The consolidated financial statements of Wedgemount Resources Corp. for the year ended July 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on November 23, 2022.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Accounting for the acquisitions of Millican and Willowbend oil and gas assets

As described in Note 4 to the consolidated financial statements, during the year ended July 31, 2023, the Company acquired 100% working interests in the Millican and Willowbend oil and gas assets (collectively the "Acquisitions") for cash consideration of US$160,000 and US$1,500,000 respectively. As more fully described in Note 3, judgement is exercised by management of the Company to assess whether the acquisitions constituted a business combination or an asset acquisition based on the requirements of IFRS 3 Business Combinations.

The principal consideration for our determination that the accounting for the Acquisitions is a key audit matter is that there was judgement made by management when assessing the requirements of IFRS 3 Business Combinations and in particular, the application of the optional concentration test to the acquired assets. This in turn led to a high degree of auditor judgement, subjectivity and effort in performing procedures to evaluate audit evidence relating to the judgements made by management in their assessment that the acquired assets met the criteria of the optional concentration test, and in turn, to be accounted for as an asset acquisition.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Examining the contractual terms of purchase agreements to identify key terms of the acquisitions.
- Evaluating management's assessment of whether the Acquisitions constituted an asset acquisition or business combination, in particular the application of the optional concentration test.
- Obtaining and evaluating reserve categories and commodity proportions from Company reserve reports, in application of the optional concentration test.
- Evaluating the Company's independent reserve engineer by:
    - Examining reports and assessing their scope of work and findings; and
    - Assessing the competence, capability, and objectivity by evaluating their relevant professional qualifications, including good standing with relevant oversight bodies.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Michael MacLaren.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

November 28, 2023

WEDGEMOUNT RESOURCES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at July 31,

		2023		2022
ASSETS				
Current				
Cash	$	950,618	$	220,459
Receivables (Note 5)		246,389		162,948
Prepaids and advances		33,385		17,200
Inventory		118,711		-
		1,349,103		400,607
Investment (Note 6)		150,000		-
Exploration and evaluation assets (Note 7)		-		216,478
Property, plant and equipment (Note 8)		3,662,605		-
	$	5,161,708	$	617,085
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Notes 9 and 14)	$	453,949	$	82,025
Loans payable (Notes 10 and 14)		537,483		-
		991,432		82,025
Loans payable (Notes 10 and 14)		231,511		-
Decommissioning obligations (Note 11)		942,636		-
		2,165,579		82,025
SHAREHOLDERS' EQUITY				
Share capital (Note 12)		6,037,453		2,605,185
Share-based reserves (Note 12)		573,267		489,956
Foreign currency translation reserves (Note 12)		1,818		-
Deficit		(3,616,409)		(2,560,081)
		2,996,129		535,060
	$	5,161,708	$	617,085

Nature of operations and going concern (Note 1)
Subsequent events (Note 19)

Approved on behalf of the Board of Directors by:

/s/ "Mark Vanry"
Mark Vanry, Director

/s/ "Richard Barth"
Richard Barth, Director

The accompanying notes are an integral part of these consolidated financial statements.

WEDGEMOUNT RESOURCES CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
For the year ended July 31,

		2023		2022
Revenue				
Oil and gas sales (Note 16)	$	292,180	$	-
Royalties		(55,956)		-
		236,224		-
Expenses				
Accretion (Note 11)		7,196		-
Administrative		39,000		36,000
Consulting		168,270		50,583
Exploration evaluation expenditures (Note 7)		7,364		431,029
Filing and regulatory		35,429		31,605
Foreign exchange		86,039		-
Loan interest (Note 14)		65,503		-
Management fees (Note 14)		150,000		150,000
Marketing		34,888		179,050
Office and miscellaneous		34,535		33,022
Operating (Note 8)		224,888		-
Professional fees (Note 14)		171,466		76,564
Property investigation costs		80,224		-
Share-based payments (Notes 12 and 14)		221,840		286,772
Shareholder communication		8,924		5,839
Transfer agent		11,503		10,140
Travel		23,788		11,196
		(1,370,857)		(1,301,800)
Recognition of flow-through premium (Note 12)		-		24,614
Write-off of exploration and evaluation assets (Note 7)		(223,927)		(386,000)
		(223,927)		(361,386)
Loss for the year	$	(1,358,560)	$	(1,663,186)
Other comprehensive income				
Foreign currency translation adjustment		1,818		-
Comprehensive loss for the year	$	(1,356,742)	$	(1,663,186)
Loss per common share –basic and diluted	$	(0.04)	$	(0.07)
Weighted average number of common shares outstanding – basic and diluted		32,841,123		24,692,152

The accompanying notes are an integral part of these consolidated financial statements.

WEDGEMOUNT RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital					
	Number of shares	**Amount**	**Share-based reserves**	**Foreign currency translation reserves**	**Deficit**	**Total**
July 31, 2021	24,296,536	$ 2,428,185	$ 203,184	$ -	$ (896,895)	$ 1,734,474
Issuance of common shares pursuant to exploration and evaluation assets option agreements (Note 12)	950,000	177,000	-	-	-	177,000
Share-based payments (Note 12)	-	-	286,772	-	-	286,772
Loss for the year	-	-	-	-	(1,663,186)	(1,663,186)
July 31, 2022	25,246,536	2,605,185	489,956	-	(2,560,081)	535,060
Issuance of common shares (Note 12)	13,905,399	2,352,571	120,922	-	-	2,473,493
Share issue costs (Note 12)	-	(120,692)	42,630	-	-	(78,062)
Warrants exercised (Note 12)	11,611,000	1,183,027	(21,927)	-	-	1,161,100
Warrants issued for loans payable (Note 10)	-	-	39,440	-	-	39,440
Options cancelled (Note 12)	-	-	(302,232)	-	302,232	-
Warrants expired (Note 12)	-	17,362	(17,362)	-	-	-
Share-based payments (Note 12)	-	-	221,840	-	-	221,840
Foreign currency translation	-	-	-	1,818	-	1,818
Loss for the year	-	-	-	-	(1,358,560)	(1,358,560)
July 31, 2023	50,762,935	$ 6,037,453	$ 573,267	$ 1,818	$ (3,616,409)	$ 2,996,129

The accompanying notes are an integral part of these consolidated financial statements.

WEDGEMOUNT RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
For the year ended July 31,

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (1,358,560)	$ (1,663,186)
Adjust for items not involving cash:		
Share-based payments	221,840	286,772
Accretion	7,196	-
Depletion	91,267	-
Foreign exchange	80,242	-
Loan interest	25,972	-
Write-off of exploration and evaluation assets	223,927	386,000
Recognition of flow-through share premium	-	(24,614)
Change in non-cash working capital items:		
Receivables	(94,441)	(88,766)
Prepaids and advances	(16,185)	110,958
Inventory	(37,037)	-
Accounts payable and accrued liabilities	260,739	(218,811)
Net cash used in operating activities	(595,040)	(1,211,647)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	(7,449)	(35,000)
Acquisition of property, plant and equipment	(2,878,402)	-
Investment	(150,000)	-
Net cash used in investing activities	(3,035,851)	(35,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	2,473,493	-
Share issue costs	(78,062)	-
Warrants exercised	1,161,100	-
Proceeds from loans payable	985,000	-
Repayment of loans payable	(180,481)	-
Net cash provided by financing activities	4,361,050	-
Change in cash	730,159	(1,246,647)
Cash, beginning of year	220,459	1,467,106
Cash, end of year	$ 950,618	$ 220,459

Supplemental cash flow information (Note 15)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Wedgemount Resources Corp. (the "Company") was incorporated on August 27, 2020 under the Business Corporations Act of British Columbia. The Company is engaged in the exploration for and the development of petroleum and natural gas in the U.S.A. The Company's head office and registered and records office address is 40440 Thunderbird Ridge B1831, Garibaldi Highlands, BC, V0N 1T0. The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol WDGY.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The continued operations of the Company and the recoverability of amounts shown for property, plant, and equipment, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The Company's continuation as a going concern is dependent upon the successful results from its business activities, its ability to obtain profitable operations and generate funds, and/or complete financings sufficient to meet current and future obligations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. Although the Company raised capital in current and prior periods through private placements of its common shares and warrants exercises and from loans, management estimates additional funding will be required to further operations in the upcoming twelve months and additional capital may not be available on acceptable terms or at all. These factors indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

There are many external factors that can adversely affect general workforces, economies and financial markets globally. Examples include, but are not limited to, the COVID-19 global pandemic and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of the adverse results of such event as the Russian invasion of Ukraine and its effects on the Company's business or results of operations or its ability to raise funds.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

2. BASIS OF PRESENTATION (cont'd…)

Approval of the consolidated financial statements

These consolidated financial statements were authorized by the Board of Directors of the Company on November 28, 2023.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information and certain financial assets that are measured at fair value as explained in the significant accounting policies set out in Note 3.

Functional and presentation currency

The financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the parent company, Wedgemount Resources Corp., and its subsidiary, 1265459 B.C. Ltd., is the Canadian dollar and the functional currency of Company's subsidiary, Wedgemount Texas Corp., is the United States ("US") dollar.

Principles of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities which the Company controls, either directly or indirectly, where control is defined as the power to govern an entity's financial and operating policies and generally accompanies a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that may arise upon the exercise or conversion of non-voting securities are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and they are deconsolidated from the date on which control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

Name of subsidiary	Country of incorporation	Percentage of ownership	Principal activity
1265459 B.C. Ltd.	Canada	100%	Holding company
Wedgemount Texas Corp. ("WTC")	U.S.A.	100%	Oil and gas in U.S.A.

2. BASIS OF PRESENTATION (cont'd…)

Significant estimates

The preparation of these consolidated financial statements requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial period and are, but are not limited to, the following:

Accounting for acquisitions

The determination of fair value of assets acquired and liabilities assumed as of the acquisition date requires management to make certain estimates about future events, including, but not restricted to, fair value of assets including acquired oil and gas reserves and resources, exploration potential, decommissioning obligations, future operating costs and capital expenditures, future oil and gas prices, long-term foreign exchange rates and discount rates as well as the determination of fair value of consideration provided. The estimated acquisition-date fair value of property, plant and equipment ("PP&E"), including oil and gas properties, decommissioning obligations, and exploration and evaluation ("E&E") assets acquired generally require the most judgement. The determination of the estimated acquisition-date fair value of oil and gas properties involves significant estimates, including proved and probable oil and gas reserves and discount rates. The estimate of proved and probable reserves includes significant assumptions related to forecasted oil and gas commodity prices, forecasted production volumes, forecasted operating costs, forecasted royalty costs and forecasted future development costs.

Cash Generating Units ("CGU's")

The Company's oil and gas properties are aggregated into cash-generating units ("CGU's"), based on the identifiable, independent group of assets ability to generate independent cash inflows. The determination of the Company's CGUs is based on management's judgments in regards to shared infrastructure, geographical proximity, resource type, similar exposure to market risk, and materiality.

Reserves

Estimating proved and probable oil and gas reserves requires significant judgment based on geological and geophysical engineering and economic data, such as forecasted production volumes, forecasted oil and gas commodity prices, forecasted operating costs, forecasted royalty costs and forecasted future development costs. Estimated changes in expected future cash flows in reported reserves can impact the impairment of assets, decommissioning obligations, the economic feasibility of exploration and evaluation assets and depletion and depreciation of property, plant, and equipment. As information becomes available, these estimates may change which could have a material impact on earnings.

2. BASIS OF PRESENTATION (cont'd…)

Significant estimates (cont'd…)

Decommissioning obligations

The Company's decommissioning obligations for its operations are based on current legal requirements and expected plans for remediation. The actual costs and cash outflows may differ from these estimates due to changes in laws and regulations, site conditions, cleanup requirements, prices, and future removal technologies. In most circumstances, the retirement and remediation of the Company's assets occurs many years into the future. The amounts recorded for these decommissioning obligations and the related accretion expense require the use of estimates with respect to the amount and timing of the related cashflows, future environmental and regulatory legislation, as well as the credit-adjusted risk-free rate applied.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the consolidated statements of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the consolidated statement of financial position could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

Valuation of share-based payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings (loss) and equity reserves.

Property, plant and equipment ("PP&E")

Oil and gas properties included in PP&E are depleted using the unit-of-production method based on estimated proved and probable oil and gas reserves determined using a number of significant assumptions, such as forecasted oil and gas commodity prices, forecasted production volumes, forecasted operating costs, forecasted royalty costs and forecasted future development costs.

2. BASIS OF PRESENTATION (cont'd…)

Significant judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements are, but are not limited to, the following:

Carrying value and the recoverability of exploration and evaluation assets

Management makes estimates and applies judgment about future events and circumstances in determining whether the carrying amount of a mineral property exceeds its recoverable amount. Management has determined that expenditures incurred on exploration and evaluation assets which were capitalized may have future economic benefits and may be economically recoverable. Management reviews the carrying values of its mineral properties on an annual basis, or when an impairment indicator exists, to determine whether an impairment should be recognized. In making its assessment, management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities, and existing permits.

Title to exploration and evaluation assets and oil and gas leases

Although the Company takes steps to verify title to exploration and evaluation assets and oil and properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Business combinations versus asset acquisitions

Transactions are assessed against the criteria in IFRS 3 Business Combinations ("IFRS 3") to assess whether they constitute a business combination or an asset acquisition. Determination of whether a set of assets acquired, and liabilities assumed, constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. During the year ended July 31, 2023, the acquired assets of Willowbend and Millican were calculated to be asset acquisitions.

Determination of functional currency

The functional currency of the Company and its subsidiaries is the currency of the primary economic environment in which each entity operates. Determination of the functional currency may involve certain judgments to determine the primary economic environment. The functional currency may change if there is a change in events and conditions which determines the primary economic environment.

2. BASIS OF PRESENTATION (cont'd…)

Significant judgments (cont'd…)

Impairment of property, plant and equipment

Judgments are required to assess when internal or external indicators of impairment, or indicators of impairment reversal, exist and impairment testing is required. In determining the recoverable amount of PP&E, which includes oil and gas properties, impairment tests are based on estimates of proved and probable oil and gas reserves which are based upon a number of significant assumptions, such as forecasted production volumes, forecasted oil and gas commodity prices, forecasted operating costs, forecasted royalty costs and forecasted future development costs.

Financial instruments

Management uses its judgement to determine the category in which a financial asset or a financial liability is recorded.

Going concern

The Company has exercised judgment in determining whether its available funds are sufficient to continue operations for 12 months from the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit or loss ("FVTPL). The classification of financial assets depends on the purpose for which the financial assets were acquired and is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial assets are classified as current assets or non-current assets based on their maturity date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial assets (cont'd…)

The Company's financial assets consist of cash and receivables, which are classified as amortized cost, and investment, which is classified as FVTPL.

Impairment of financial assets

An expected credit loss ("ECL") impairment model applies to financial assets classified and measured at amortized cost and contract assets and debt investments classified and measured at FVOCI, but not to investments in equity instruments. The ECL model requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the financial asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the assets, discounted at the assets' original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: fair value through profit or loss; or amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

The Company's financial liabilities consist of accounts payable and accrued liabilities and loans payable and are classified as amortized cost.

Crude oil inventory

Crude oil inventory is valued at the lower of cost or net realizable value. The cost of crude oil inventory produced includes related operating expense, royalties, and depletion determined on a weighted-average basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign currency denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the statement of financial position date. Non-monetary items are translated into Canadian dollars at the exchange rate in effect on the respective transaction dates. Revenues and expenses are translated at average exchange rates for the period, except for depreciation and amortization, which is translated on the same basis as the related asset. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the period.

The financial statements of entities that have a functional currency different from that of the Company are translated into Canadian dollars as follows: assets and liabilities at the closing exchange rate at the date of the statement of financial position, and income and expenses at the average exchange rate for the period (as this is considered a reasonable approximation to actual exchange rates). All resulting changes are recognized in other comprehensive income as currency translation differences and taken into a separate component of equity. When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses in accumulated other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses in accumulated other comprehensive income related to the subsidiaries are reallocated between controlling and non-controlling interests.

Business combinations

Business combinations are accounted for using the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized immediately in profit or loss. Transaction costs are expensed as incurred.

An optional concentration test permits a simplified assessment of whether an acquired set of activities and assets is in fact a business. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed, based on substantially all the fair value of the assets acquired being concentrated to a single asset or group of similar assets. This results in the acquisition being accounted for as an asset acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Exploration and evaluation costs on exploration and evaluation assets are recognized in profit or loss. Costs incurred before the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss. All costs related to the acquisition of exploration and evaluation assets are capitalized on a property by property basis. Amounts received for the sale of exploration and evaluation assets, for option payments and for exploration advances are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. Costs for a producing property will be amortized on a unit-of-production method based on the estimated life of the ore reserves. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that property options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as exploration and evaluation asset costs or recoveries when the payments are made or received. When the option payments received exceed the carrying value of the related exploration and evaluation asset then the excess is recognized in profit or loss in the period the option receipt is recognized. Option receipts in the form of marketable securities are recorded at the quoted market price on the day the securities are received.

Property, plant and equipment

Property, plant and equipment, which include oil and gas properties are recorded at cost less accumulated depletion, depreciation, amortization and accumulated impairment losses, net of recovered impairment losses. These assets include all costs associated with the development and production of proved and probable oil and gas reserves. Costs may include proved property acquisitions, development drilling, completion, gathering and infrastructure, geological and geophysical, decommissioning costs, amounts transferred from E&E assets and directly attributable internal costs. Expenditures to renew or improve the productive capacity or extend the life of an asset are capitalized. Maintenance and repairs are expensed as incurred.

Any gains or losses from the divestiture of oil and gas properties are recognized in profit or loss. Accumulated costs are depleted using the unit of production method based on estimated proved and probable oil and gas reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Rehabilitation provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the rehabilitation of exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with rehabilitation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized rehabilitation costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

The Company is subject to various government laws and regulations relating to environmental disturbances caused by the Company's development activities. The Company records the present value of the estimated legal obligations required to restore sites in the period in which the obligation is expected to be incurred. The nature of decommissioning liabilities includes restoration, reclamation, and revegetation of the affected sites. Decommissioning obligations generally arises when the environmental disturbance, subject to government laws and regulations, requires remediation. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related petroleum and natural gas assets. Over time, the discounted liability is increased for changes in the present value based on current market discount rates and liability specific risks. Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and decommissioning obligation in the period in which they occur.

Depletion, depreciation and amortization

The net carrying value of the oil and gas properties is depleted using the unit-of-production method based on period production relative to the estimated proved and probable oil and gas reserves, taking into account estimated forecasted future development costs necessary to bring those reserves into production. Changes in estimates used in prior periods, such as proved and probable oil and gas reserves, that affect the unit of-production calculations are dealt with on a prospective basis. Depletion is calculated on a CGU basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment

At the end of each reporting period, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized in profit or loss.

Revenue

Revenue from the sale of oil and gas is measured based on the consideration specified in contracts with marketers and other third parties. The Company recognizes revenue when it transfers control of the product to the contract customer and it is probable that the Company will collect the consideration to which it is entitled. In making this evaluation, management considers if the Company has the ability to direct the use of, and obtain substantially all of the remaining benefits from the delivery of the product.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share capital

Common shares are classified as shareholders' equity. Incremental costs, net of tax effects, directly attributable to the issue of common shares are recognized as deductions from shareholders' equity. Common shares issued for consideration other than cash are valued based on the value of the goods or services received, and if not reliably measurable, then on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in the private placements to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

When warrants expire unexercised, the value previously recorded in reserves is transferred to share capital.

Share-based payments

The Company accounts for all grants of options to directors, officers, employees, consultants, and advisors in accordance with the fair value method for accounting for share-based payments. Share-based payment awards are calculated using the Black-Scholes option pricing model. Share-based payments to consultants and advisors, who are not providing similar services as employees, are measured at the grant date by using the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured and are recorded at the date the goods or services are received.

Compensation expense for share-based payments is recognized immediately for past services and pro-rata for future services over the vesting period of the share-based payment. A corresponding increase in reserves is recorded when share-based payments are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion of share-based payments previously recorded in reserves. When vested options expire unexercised or are forfeited, the related portion of share-based payments previously recorded in reserves is transferred to deficit.

The Company determines the fair value of the restricted share units ("RSUs") on the date of grant. The fair value is charged to profit or loss over the vesting period of the RSUs, with a corresponding credit to reserves if equity-settled. If the RSUs are cash-settled and recorded as an obligation, the obligation is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in share-based compensation expense in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Flow-through common shares

The Company may, from time to time, issue flow-through common shares (as defined in the *Income Tax Act* (Canada)) to finance a portion of its Canadian exploration and development programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the proceeds received from flow-through common shares into: a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as a liability, and share capital. The Company estimates the portion of the proceeds attributable to the premium as being the excess of the subscription price over the fair value of the shares without the flow-through feature at the time of issuance. Thereafter, as qualifying resource expenditures are incurred, the flow-through share premium is amortized to profit or loss on a pro-rata basis.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued and recorded to profit or loss.

Income (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share are calculated by dividing the loss attributable to common shares of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. There was no dilutive effect for the years presented.

Income taxes

<u>Current income tax</u>

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically valuates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Deferred income tax

Deferred tax is generally provided on all temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

New standards, interpretations and amendments to existing standards not yet effective

A number of new standards and amendments to standards and interpretations have been issued by the IASB and are effective for annual periods beginning on or after August 1, 2023. These have not been applied in preparing these consolidated financial statements. There are no IFRSs or IFRS Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on these consolidated financial statements.

4. OIL AND GAS ACQUISITIONS

Millican

On March 20, 2023, the Company completed the acquisition of a 100% working interest in oil and gas assets ("Millican"), located in the Permian Basin of west central Texas. The acquisition of Millican was completed for total cash consideration of USD $160,000 ($219,086). The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition. Fair value of consideration paid is allocated to assets and liabilities acquired.

The fair value assigned to the identified assets acquired and liabilities assumed are presented below:

Cost of acquisition:	
Cash consideration	$ 219,086
	$ 219,086
Allocated as follows:	
Oil and gas properties	$ 440,888
Decommissioning obligations	(221,802)
	$ 219,086

(Expressed in Canadian Dollars)

4. OIL AND GAS ACQUISITIONS (cont'd…)

Willowbend

On March 31, 2023, the Company completed the acquisition of a 100% working interest in oil and gas assets ("Willowbend"), located in the Permian Basin of west Texas. The acquisition of Willowbend was completed for total cash consideration of USD $1,500,000 ($2,029,418) plus transactions costs of $19,940. The Company applied the optional IFRS 3 concentration test to this acquisition which resulted in the acquired assets being accounted for as an asset acquisition. Fair value of consideration paid is allocated to assets and liabilities acquired.

The fair value assigned to the identified assets acquired and liabilities assumed are presented below:

Cost of acquisition:		
Cash consideration	$	2,029,418
Transactions costs	$	19,940
	$	**2,049,358**
Allocated as follows:		
Inventory	$	56,388
Oil and gas properties	$	2,398,790
Decommissioning obligations		(405,820)
	$	**2,049,358**

5. RECEIVABLES

		July 31, 2023		July 31, 2022
Trade receivables	$	217,081	$	-
GST receivable		29,308		46,916
British Columbia Mining Tax Credit ("BCMETC")		-		86,532
Reclamation deposit		-		29,500
	$	246,389	$	162,948

6. INVESTMENT

During year ended July 31, 2023, the Company purchased 150,000 (2022 - nil) common shares at a cost of $150,000 (2022 - $nil) in a private British Columbia company ("BC Co."). As at July 31, 2023, the fair value of BC Co. is $150,000 (2022 - $nil).

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

Property		Eagle		Cookie		Friendly		Total
July 31, 2021	$	53,000	$	157,478	$	180,000	$	390,478
Cash		25,000		10,000		-		35,000
Share issuances		68,000		49,000		60,000		177,000
Write-off of exploration and evaluation assets		(146,000)		-		(240,000)		(386,000)
July 31, 2022		-		216,478		-		216,478
Cash		-		7,449		-		7,449
Write-off of exploration and evaluation assets		-		(223,927)		-		(223,927)
July 31, 2023	$	-	$	-	$	-	$	-

Eagle property

On September 23, 2020, subsequently amended on December 9, 2021, the Company entered into an option agreement (the "Eagle Agreement") with ArcWest Exploration Inc. ("ArcWest") to acquire an initial 60% percent interest ("First Option") in and to certain mineral claims located in northern British Columbia which are collectively known and described as the Eagle Property ("Eagle").

To acquire Eagle, the Company must make cash payments totaling $110,000, fund a total of $2,050,000 in exploration expenditures, and issue a total of 1,350,000 common shares by December 31, 2024.

In fiscal 2022, the Company wrote off the carrying value of $146,000 on the Eagle property.

Cookie property

On May 26, 2021, subsequently amended on August 30, 2021 and June 27, 2022, the Company entered into an option agreement (the "Cookie Agreement") with DL Cooke & Associates Ltd. ("DL Cooke") to acquire a 100% percent interest in and to certain mineral claims located in the southern Toodoggone copper belt of north-central British Columbia which are collectively known and described as the Cookie property ("Cookie").

To acquire Cookie, the Company must make cash payments totaling $210,000, fund a total of $1,075,000 in exploration expenditures, and issue a total of 1,900,000 common shares by May 26, 2026.

During the year ended July 31, 2023 and in fiscal 2021, the Company acquired additional contiguous claims by staking.

During the year ended July 31, 2023, the Company wrote off a carrying value of $223,927 on the Cookie property as the Company terminated the option agreement.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Friendly property

On May 27, 2021, the Company entered into an option agreement (the "Friendly Agreement") with Electrum Resource Corporation ("Electrum") to acquire a 100% percent interest in and to certain mineral claims located in south-central British Columbia which are collectively known and described as the Friendly Lake-Deer Lake copper-gold property ("Friendly").

To acquire Friendly, the Company must make cash payments totaling $775,000, fund a total of $6,750,000 in exploration expenditures, and issue a total of 5,000,000 common shares by May 27, 2026.

In fiscal 2022, the Company wrote off the carrying value of $240,000 on the Friendly property.

Exploration and evaluation expenditures

Exploration and evaluation expenditures for the year ended July 31, 2023 are as follows:

Property	Eagle	Cookie	Friendly	Total
Equipment and supplies	$ -	$ 1,967	$ -	$ 1,967
Geology	575	546	4,276	5,397
	$ 575	$ 2,513	$ 4,276	$ 7,364

Exploration and evaluation expenditures for the year ended July 31, 2022 are as follows:

Property	Eagle	Cookie	Friendly	Total
Accommodation and transportation	$ 70,986	$ 6,843	$ 22,113	$ 99,942
Assay	2,568	22,501	9,504	34,573
Equipment and supplies	11,289	3,097	20,429	34,815
Geology	29,754	37,540	152,775	220,069
Geophysics	123,050	-	-	123,050
Logistics and support	-	5,112	-	5,112
	237,647	75,093	204,821	517,561
BCMETC	(69,216)	(17,205)	(111)	(86,532)
	$ 168,431	$ 57,888	$ 204,710	$ 431,029

(Expressed in Canadian Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

		Oil and gas properties
Cost		
July 31, 2021 and July 31, 2022	$	-
Acquisitions (Note 4)		2,839,678
Additions		703,722
Reclamation provision adjustment		325,349
Adjustment on currency translation		(80,580)
July 31, 2023	$	3,788,169
Accumulated depletion		
July 31, 2021 and July 31, 2022	$	-
Depletion		127,160
Adjustment on currency translation		(1,596)
July 31, 2023	$	125,564
Net Book Value		
July 31, 2022	$	-
July 31, 2023	$	3,662,605

During the year ended July 31, 2023, depletion of $91,267 (2022 - $nil) was included in operating expenses and $35,893 (2022 - $nil) was recognized in inventory.

Oil and gas properties

Millican

During the year ended July 31, 2023, the Company completed the acquisition of Millican (Note 4). In connection with the acquisition, the Company acquired certain leases, producing wells, and surface facilities of $440,888. Millican is subject to a 19% underlying royalty.

Willowbend

During the year ended July 31, 2023, the Company completed the acquisition of Willowbend (Note 4). In connection with the acquisition, the Company acquired certain leases, producing wells, and surface facilities of $2,398,790. Willowbend is subject to a 19% underlying royalty.

(Expressed in Canadian Dollars)

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		July 31, 2023		July 31, 2022
Accounts payable	$	306,587	$	61,025
Accrued liabilities		147,362		21,000
	$	453,949	$	82,025

10. LOANS PAYABLE

During the year ended July 31, 2023, the Company entered into a loan agreement with the President and CEO, under which USD $400,000 ($535,000) was loaned (the "Vanry Loan"). The Vanry Loan bears interest at a rate of 15% per annum, payable monthly for the first 22 months and thereafter at the rate of 18% per annum. The Company will make payments on account of principal on the Vanry Loan commencing June 30, 2023 at the rate of USD $20,000 per month plus an amount equal to 25% of net cash flows over USD $200,000. The Vanry Loan matures, and all outstanding principal shall be payable, on February 28, 2025. The Company may repay the Vanry Loan at any time without penalty. The Vanry Loan is secured by a pledge of the shares of WTC and a general security interest over the assets of WTC. Additionally, the Company, as further compensation, issued 275,000 warrants to the President. Each warrant is exercisable at a price of $0.30 until February 21, 2026. The warrants were valued at $39,440, calculated using the Black-Scholes option pricing model assuming a life expectancy of three years, a risk-free interest rate of 3.96%, a dividend rate of nil%, a forfeiture rate of nil%, and volatility of 134%. The fair value of the warrants were recorded as transaction cost of the loan and will be amortized to loan interest over the term of the loan, of which $8,551 (2022 - $nil) was amortized to loan itnerest . As at July 31, 2023, the Vanry Loan has a current liability of $297,483 (2022 - $nil) and a long-term liability of $41,511 (2022 - $nil). During the year ended July 31, 2023, the Company accrued interest of $33,544 (2022 - $nil), recorded in loan interest.

During the year ended July 31, 2023, the Company also entered into a loan agreement with an arm's length individual, under which $450,000 was loaned (the "Loan"). The Loan bears interest at a rate of 15% per annum, payable monthly for the first 22 months and thereafter at the rate of 18% per annum. The Company will make payments on account of principal on the Loan commencing June 30, 2023 at the rate of $20,000 per month plus an amount equal to 25% of net cash flows over USD $200,000. The Loan matures, and all outstanding principal shall be payable, on February 28, 2025. The Company may repay the Loan at any time without penalty. The Loan is guaranteed by a general security interest over the assets of WTC. As at July 31, 2023, the Loan has a current liability of $240,000 (2022 - $nil) and a long-term liability of $190,000 (2022 - $nil). During the year ended July 31, 2023, the Company accrued interest of $23,408 (2022 - $nil), recorded in loan interest.

11. DECOMMISSIONING OBLIGATIONS

The decommissioning obligations represent costs to reclaim and abandon the wells and facilities on the Company's oil and gas properties (Note 8). As at July 31, 2023, the Company had decommissioning obligations of $942,636 (2022 - $nil). The obligation is recognized based on the estimated future reclamation costs of USD $798,279 which has been inflated using an inflation rate of 3.0% and then discounted a risk-free discount rate of 3.97% with an estimated timeline to abandoned between 5 and 23 years. Subsequent to the closing dates of the acquisitions of Millican and Willowbend, the Company recorded a change in estimate related to the decommissioning obligations of $325,349 (2022 - $nil), which was recorded as an increase to oil and gas properties. During the year ended July 31, 2023, the Company recorded accretion related to the decommissioning obligations of $7,196 (2022 - $nil), which was recorded as an increase to the decommissioning obligations, with an offsetting amount to accretion expense in profit and loss, and a foreign currency translation gain of $17,531 (2022 - $nil).

12. SHARE CAPITAL

Authorized share capital

The Company's authorized capital consists of an unlimited number of common shares without par value.

Issued share capital

During the year ended July 31, 2023, the Company issued:

a) 3,652,500 units at a price of $0.20 per unit by way of a non-brokered private placement, for total proceeds of $730,500. Each unit was comprised of one common share and one common share purchase warrant, with each full warrant entitling the holder to acquire one additional common share of the Company at a price of $0.30 per common share until December 21, 2024. The 3,652,600 warrants were valued at $36,525, calculated using the residual value method. The Company paid a total of $14,350 in cash for fees and issued 71,750 finders' warrants. Each finder's warrant entitles the holder to purchase one common share at a price of $0.30 per common share until December 21, 2024. The finders' warrants were valued at $8,376, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 3.72%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 140%;
b) issued 3,580,557 units at a price of $0.17 per unit by way of a non-brokered private placement, for total proceeds of $608,695. Each unit was comprised of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of $0.30 per common share until March 24, 2025. The 3,580,557 warrants were valued at $nil, calculated using the residual value method. The Company paid a total of $26,709 in cash for fees and other share issue costs and issued 146,487 finder's warrants. Each finder's warrant entitles the holder to purchase one common share at a price of $0.30 per common share until March 24, 2025. The finder's warrants were valued at $15,186, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 3.42%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 134%;

12. SHARE CAPITAL (cont'd…)

Issued share capital (cont'd…)

c) issued 708,224 units at a price of $0.17 per unit by way of a non-brokered private placement, for total proceeds of $120,398. Each unit was comprised of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of $0.30 per common share until April 20, 2025. The 708,224 warrants were valued at $7,082, calculated using the residual value method. The Company paid a total of $350 in cash for fees and issued 2,058 finder's warrants. Each finder's warrant entitles the holder to purchase one common share at a price of $0.30 per common share until April 20, 2025. The finder's warrants were valued at $181, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 3.79%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 132%;
d) issued 5,375,000 units at a price of $0.17 per unit by way of a non-brokered private placement, for total proceeds of $913,750. Each unit was comprised of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of $0.30 per common share until May 19, 2025. The 5,375,000 warrants were valued at $53,750, calculated using the residual value method. The Company paid a total of $36,653 in cash for fees and issued 215,600 finder's warrants. Each finder's warrant entitles the holder to purchase one common share at a price of $0.30 per common share until May 19, 2025. The finder's warrants were valued at $18,887, calculated using the Black-Scholes option pricing model assuming a life expectancy of two years, a risk-free interest rate of 3.99%, a dividend rate of nil%, a forfeiture rate of nil% and volatility of 132%;
e) issued 589,118 units at a price of $0.17 per unit by way of a non-brokered private placement, for total proceeds of $100,150. Each unit was comprised of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one additional common share of the Company at a price of $0.30 per common share until July 19, 2025. The 589,118 warrants were valued at $23,565, calculated using the residual value method; and
f) issued 11,611,000 common shares pursuant to the exercise of warrants for proceeds of $1,161,100.

During the year ended July 31, 2022, the Company issued:

a) 400,000 common shares, valued at $68,000, pursuant to the Eagle option agreement (Note 7);
b) 250,000 common shares, valued at $49,000, pursuant to the Cookie option agreement (Note 7); and
c) 300,000 common shares, valued at $60,000, pursuant to the Friendly option agreement (Note 7).

Escrow shares

On January 12, 2021, the Company entered into an escrow agreement pursuant to which 1,125,000 common shares have been placed in escrow and are subject to release in tranches over time in accordance with the policies of the Canadian Securities Administrators. The escrow agreement provides that 10% of the escrowed shares will be released from escrow upon the original CSE listing date and that an additional 15% will be released therefrom every six-month interval thereafter, over a period of 36 months. As at July 31, 2023, there are 464,999 (2022 - 675,000) shares held in escrow.

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (cont'd…)

Flow-through share premium

		Total
July 31, 2021	$	24,614
Recognition of flow-through share premium		(24,614)
July 31, 2022 and July 31, 2023	$	-

Stock options

The Company's shareholders approved an amended equity incentive plan ("the Plan") on June 15, 2023, which provides for the grant of stock options and awards ("Awards") that enable the acquisition of common shares of the Company. Awards now include RSUs. The options are equity-settled awards and will be exercisable for a period not to exceed ten years and are subject to such vesting provisions as may be determined by the Board. Common shares reserved and available for issuance upon exercise of options granted pursuant this Plan shall be 10,000,000. Under the Plan the maximum number of shares of the Company that are reserved pursuant to the Plan is limited to 15% of all issued and outstanding common shares of the Company at any given time. This Plan replaces the previous stock option plan of the Company (the "Original Plan"). Under the Original Plan, the exercise price of each option could not be less than the market price of the Company's shares on the date prior to the date of grant less any discounts permitted by the CSE under its policies and could be granted for a maximum term of 10 years with vesting provisions as determined by the Board.

During the year ended July 31, 2023, the Company granted 2,000,000 options (2022 - 400,000), and recorded share-based payments of $219,987 (2022 - $286,772).

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (cont'd…)

Options (cont'd…)

The weighted average fair value of stock options granted during the year ended July 31, 2023 was $0.18 (2022 - $0.14 per option). The fair value was calculated using the Black-Scholes option pricing model using the following assumptions:

	Year ended July 31, 2023	Year ended July 31, 2022
Share price	$ 0.20	$ 0.17
Risk-free interest rate	3.20%	1.34%
Volatility	138%	116%
Expected life	5 years	5 years
Expected dividend yield	-	-
Expected forfeiture rate	-	-

During the year ended July 31, 2023, 800,000 (2022 - nil) fully vested stock options were cancelled; accordingly, the fair value associated with the options of $302,232 (2022 - $nil) was reclassified from reserves to deficit.

Option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance as at July 31, 2021	1,325,000	$ 0.36
Granted	400,000	0.17
Balance as at July 31, 2022	1,725,000	0.32
Granted	2,000,000	0.20
Cancelled	(800,000)	0.45
Balance as at July 31, 2023	2,925,000	$ 0.20
Exercisable as at July 31, 2023	1,581,250	$ 0.20

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (cont'd…)

Options (cont'd…)

As at July 31, 2023, the Company had outstanding options enabling the holders to acquire common shares as follows:

Number of options	Number of exercisable options		Exercise price	Weighted average remaining life (years)	Expiry date
325,000	325,000	$	0.10	2.40	December 23, 2025
200,000	200,000	$	0.45	2.82	May 25, 2026
400,000	400,000	$	0.165	3.35	December 3, 2026
375,000	187,500	$	0.23	4.29	November 14, 2027
1,050,000	250,000	$	0.21	4.44	January 5, 2028
100,000	100,000	$	0.17	4.68	April 5, 2028
475,000	118,750	$	0.17	4.74	April 25, 2028
2,925,000	1,581,250			3.99	

The weighted average remaining life of exercisable options is 3.56 years.

Restricted share units

On June 15, 2023, the Board approved a new share compensation plan, which included the grant of RSUs. The RSUs and can be cash-settled or equity-settled awards as determined by the Board. The maximum number of shares of the Company that are reserved pursuant to the share compensation plan is limited to 10,000,000 shares, provided that the aggregate number of shares available for issuance under this share compensation plan together with all other share compensation arrangements may not exceed 15% of all issued and outstanding common shares at any given time.

During the year ended July 31, 2023, following approval of the Plan by the shareholders, the Company granted 400,000 (2022 - nil) RSUs with a fair value of $60,000 (2022 - $nil), which vest over a period of 24 months.

During the year ended July 31, 2023, the Company expensed $1,853 (2022 - $nil) for the fair value of RSUs, which was recorded in share-based compensation.

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (cont'd…)

Restricted share units (cont'd…)

The continuity of RSUs transactions of the Company was as follows:

	Number of RSUs
Balance as at July 31, 2021 and July 31, 2022	-
Granted	400,000
Balance as at July 31, 2023	400,000

Warrants

During the year ended July 31, 2023, 60,480 (2022 - nil) warrants expired; accordingly, fair value associated with the warrants of $17,362 (2022 - $nil) was reclassified from reserves to share capital.

Warrant transactions are summarized as follows:

	Number of warrants		Weighted average exercise price
Balance as at July 31, 2021 and July 31, 2022	14,653,747	$	0.16
Issued	14,616,294		0.30
Exercised	(11,611,000)		0.10
Expired	(60,480)		0.70
Balance as at July 31, 2023	17,598,561	$	0.31

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (cont'd…)

Warrants (cont'd…)

As at July 31, 2023, the Company had outstanding warrants enabling the holders to acquire common shares as follows:

Number of warrants		Exercise price	Weighted average remaining life (years)	Expiry date
575,000	$	0.10	0.11	September 10, 2023[1]
1,083,999	$	0.10	0.14	September 21, 2023[2]
1,176,000	$	0.70	0.44	January 9, 2024
147,268	$	0.85	0.44	January 9, 2024
3,724,250	$	0.30	1.39	December 21, 2024
3,727,044	$	0.30	1.65	March 24, 2025
710,282	$	0.30	1.72	April 20, 2025
5,590,600	$	0.30	1.80	May 19, 2025
589,118	$	0.30	1.97	July 19, 2025
275,000	$	0.30	2.56	February 21, 2026
17,598,561			1.44	

[1] exercised subsequent to year end (Note 19)

[2] 850,000 exercised and 233,999 expired, unexercised subsequent to year end (Note 19)

Escrow warrants

On January 12, 2021, the Company entered into an escrow agreement pursuant to which 699,999 warrants have been placed in escrow and are subject to release in tranches over time in accordance with the policies of the Canadian Securities Administrators. The escrow agreement provides that 10% of the escrowed warrants will be released from escrow upon the original CSE listing date and that an additional 15% will be released therefrom every six-month interval thereafter, over a period of 36 months. As at July 31, 2023, there are 82,500 (2022 - 419,999) warrants held in escrow.

(Expressed in Canadian Dollars)

13. DEFERRED INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

		Year ended July 31, 2023		Year ended July 31, 2022
Loss before income taxes	$	(1,358,560)	$	(1,663,186)
Expected income tax (recovery)	$	(367,000)	$	(449,000)
Change in statutory, foreign tax, foreign exchange rates and other		31,000		-
Permanent difference		55,000		78,000
Share issue costs		(21,000)		(9,000)
Change in unrecognized deferred tax assets		302,000		380,000
Income tax expense (recovery)	$	-	$	-

The significant components of the Company's unrecognized deferred income tax assets and liabilities are as follows:

		July 31, 2023		July 31, 2022
Exploration and evaluation assets	$	238,000	$	189,000
Decommissioning obligations		9,000		-
Share issue costs		24,000		29,000
Non-capital losses		526,000		277,000
		797,000		495,000
Unrecognized deferred tax assets		(797,000)		(495,000)
Net deferred tax assets	$	-	$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

			Expiry date range
Exploration and evaluation assets	$	880,000	No expiry date
Decommissioning obligations		43,000	No expiry date
Share issue costs		90,000	2024 to 2027
Non-capital losses		1,969,000	2024 to 2043

Tax attributes are subject to review and potential adjustments by tax authorities.

(Expressed in Canadian Dollars)

14. RELATED PARTY DISCLOSURES

The Company considers key management personnel to consist of its directors and officers. The following expenses were incurred in transactions with key management personnel:

		Year ended July 31, 2023		Year ended July 31, 2022
Management fees	$	150,000	$	150,000
Professional fees		39,000		36,000
Share-based payments		101,016		214,600
	$	290,016	$	400,600

During the year ended July 31, 2023, the Company entered into a loan agreement with its President (Note 10). During the year ended July 31, 2023, the President advanced USD $400,000 ($535,000) (2022 - USD $nil ($nil)). The Company issued 275,000 warrants, valued at $39,440, to the President as compensation for the loan. During the year ended July 31, 2023, interest expense was $33,544 (2022 - $nil).

As at July 31, 2023, included in accounts payable and accrued liabilities was $150,574 (2022 - $53,808) owing to a director, a corporation controlled by a director, and an officer.

The Company has a management services agreement with its President which provides that in the event the President's services are terminated without cause or upon a change of control of the Company, a termination payment of an amount equal to 200% of the current annual compensation plus an amount equal to two times the average of the cash discretionary bonuses paid for the two most recently completed years will be payable.

(Expressed in Canadian Dollars)

15. SUPPLEMENTAL CASH FLOW INFORMATION

The significant non-cash financing and investing activities are as follows:

		Year ended July 31, 2023		Year ended July 31, 2022
Property, plant, and equipment included in accounts payable and accrued liabilities	$	93,764	$	-
Residual value of warrants issued in private placement	$	120,922	$	-
Fair value of agents' warrants	$	42,630	$	-
Reclassification of reserves to share capital on exercise of warrants	$	21,927	$	-
Reclassification of reserves to deficit on cancellation of options	$	302,232	$	-
Reclassification of reserves to share capital on expiry of warrants	$	17,362	$	-
Decommissioning obligations on acquisitions of oil and gas properties	$	627,622	$	-
Inventory on acquisitions of oil and gas properties	$	56,388	$	-
Warrants issued for loans payable	$	39,440	$	-
Reclamation provision adjustment	$	325,349	$	-
Depletion included in inventory	$	35,893	$	-
Reclamation deposit reallocated to receivables	$	-	$	29,500
Common shares issued for exploration and evaluation assets	$	-	$	177,000

During the year ended July 31, 2023, the Company paid interest of $38,955 (2022 - $nil) and paid income taxes of $nil (2022 - $nil).

16. SEGMENTED INFORMATION

The Company has an operating segment of oil and gas production; all property, plant, and equipment relates to this and is located in the U.S.A. All revenue is derived for these assets (Note 8). The Company also had an operating segment of the acquisition and exploration of exploration and evaluation assets; these are located in Canada (Note 7).

17. FINANCIAL INSTRUMENT RISK

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. As at July 31, 2023, the Company's risk exposure and the impact on the Company's financial instruments are summarized below:

17. FINANCIAL INSTRUMENT RISK (cont'd…)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to its liquid financial assets, being cash and receivables. The maximum credit risk of the investments is their carrying value. The Company's primary bank accounts are held with a major Canadian bank and funds are transferred to the subsidiary's foreign bank account as required to cover current expenditures, minimizing the risk to the Company. Receivables are due from a government agency and from oil and gas marketers. The Company's policy to mitigate credit risk going forward is to maintain marketing relationships with established and reputable purchasers that are considered to be creditworthy.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is through regular monitoring of cash requirements. When necessary, the Company obtains financing from various investors to ensure all future obligations are fulfilled. The Company does not have sufficient cash as at July 31, 2023 to settle its current liabilities as they come due and additional funds are required to continue current operations for the upcoming twelve months (Note 1).

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of market price changes:

<u>Foreign currency exchange risk</u>

This risk relates to any changes in foreign currencies in which the Company transacts. The Company is exposed to foreign currency risk on fluctuations related to cash, accounts payables and accrued liabilities, and loans that are denominated in United States Dollars. The effect of a 10% change in foreign exchange rates would be approximately $34,000 for the year ended July 31, 2023.

<u>Interest rate risk</u>

This risk relates to the change in the borrowing rates of the Company. The Company is not exposed to interest rate risk as it does not have any significant financial instruments with variable interest rates, with the exception of cash. Loans payable carry fixed interest rates. Interest earned on cash is based on prevailing bank account interest rates, which may fluctuate. A 1% increase or decrease in interest rates would result in a nominal difference for the year ended July 31, 2023.

17. FINANCIAL INSTRUMENT RISK (cont'd…)

Market risk (cont'd…)

Price risk

This risk relates to fluctuations in commodity and equity prices. The Company closely monitors commodity prices of precious and base metals, and of oil and gas, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

The Company does not currently use financial instruments designed to hedge these market risks.

Fair value hierarchy

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1

Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2

Pricing inputs are other than quoted prices in active markets included in level 1. Prices in level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3

Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The fair value of cash, receivables, accounts payable and accrued liabilities, and loans payable approximates their carrying values because of the short-term nature of these instruments. The long term portion of the loans payable approximates its carrying value because it bears interest at the market rate. The BC Co. shares, recorded in investment, are measured using level 3 of the fair value hierarchy. Investments classified within level 3 may have significant unobservable inputs. The investment was made near year end, accordingly, cost is considered to remain most representative of its fair value.

18. CAPITAL MANAGEMENT

The Company defines capital as cash, debt, and the components of shareholders' equity. The Company's objectives when managing capital are to identify, pursue, and complete the exploration and development of its exploration and evaluation assets, to maintain financial strength, to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness, and to maximize returns for shareholders over the long term. The Company manages its capital in a manner consistent with the risk characteristics of the assets it holds. All financings, including equity and debt, are analyzed by management and approved by the Board of Directors. The Company does not have any externally imposed capital requirements. There have been no significant changes in the Company's objectives, policies, and processes for managing its capital during the year ended July 31, 2023.

19. SUBSEQUENT EVENTS

Subsequent to July 31, 2023, the Company:

a) issued 1,425,000 common shares pursuant to the exercise of warrants for proceeds of $142,500;
b) had 233,999 warrants expire unexercised; and
c) completed the acquisition of a 100% working interest in the TCS oil and gas property located in Runnels County, Texas. The acquisition of TCS was completed for a total consideration of USD $650,000 comprised of USD $50,000 in cash and a USD $600,000 vendor take back ("VTB") loan. The VTB loan bears interest at 10% per annum and will be repaid from 50% of the net cash flows of the acquired assets over a period of 24 months. The reserve report has not yet been finalized, accordingly, the Company has not yet completed its assessment as to whether this acquisition constitutes a business combination or an asset acquisition under IFRS 3.